

## Message Text

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ACTION EB-07

INFO OCT-01 EA-09 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 AGRE-00 /065 W

-----100835Z 120800 /17

R 100805Z JAN 77

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 2202

INFO AMEMBASSY SEOUL

AMCONSUL HONG KONG

AMEMBASSY TOKYO

UNCLAS TAIPEI 0146

HONG KONG FOR REGFINATT

E.O. 11652: N/A

TAGS: ECON, TW

SUBJECT: PRELIMINARY DATA ON 1976 GNP

REF: 76 TAIPEI 8075

1. PRELIMINARY DATA RELEASED BY GROC ON JAN. 7 INDICATE THAT REAL GNP WILL REACH NT\$377.2 BILLION (US\$9.9 BILLION) IN 1976, AN INCREASE OF 11.76 PERCENT OVER 1975. AT CURRENT PRICES GNP IS ESTIMATED AT NT\$651.5 BILLION (US\$17.1 BILLION), REPRESENTING A GROWTH RATE OF 17 PERCENT. IMPETUS FOR GROWTH WAS PROVIDED MAINLY BY THE EXPORT SECTOR WHICH IS PROJECTED TO POST A GAIN OF 42 PERCENT (IN CONSTANT 1971 PRICES). GROSS FIXED CAPITAL INVESTMENT ALSO FIGURED IMPORTANTLY IN 1976 ECONOMIC GROWTH, WITH A REAL GAIN OF 9.4 PERCENT.

2. TENTATIVE FOREIGN TRADE ESTIMATES IN BALANCES-OF-PAYMENTS TERMS (I.E. INCLUDING BOTH GOODS AND SERVICES) PUT 1976 EXPORTS IN CURRENT PRICES AT US\$8,949 MILLION AND IMPORTS AT US\$8,580 MILLION, FOR A CURRENT ACCOUNT SUSPLUS OF US\$369 MILLION, IN THESE TERMS, EXPORTS SHOW AN INCREASE OF 48 PERCENT OVER 1975, AND REPRESENT THE EQUI-  
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VALENT OF 52 PERCENT OF GNP.

3. INFLATION WAS NOT A PROBLEM IN 1976. PRICE INCREASES AT BOTH WHOLESALE AND CONSUMER LEVELS WERE UNDER THREE PERCENT. AS MEASURED BY THE GNP DEFLATOR, GENERAL PRICE INFLATION WAS UNDER SIX PERCENT. PRIVATE CONSUMPTION EXPENDITURE--WHICH RANKS WITH EXPORTS AS ONE OF COMPONENTS OF FNP--GREW BY JUST OVER SIX PERCENT IN REAL TERMS (ABOUT

NINE PERCENT IN CURRENT PRICES), AND ACCOUNTED FOR 52 PERCENT OF REAL GNP.

4. COMMENT: THE 1976 GROWTH RATE WILL PROBABLY GO DOWN IN THE STATISTICAL RECORDS AS ONE OF THE BEST EVER FOR THE ROC ECONOMY. THIS IMPRESSIVE GROWTH WAS ACHIEVED, HOWEVER, AT SUBSTANTIAL COST IN TERMS OF LOWERED PROFITABILITY OF ROC INDUSTRY, PARTICULARLY IN THE TEXTILES SECTOR. STIFF COMPETITION IN INTERNATIONAL MARKETS CAUSED MANY FIRMS TO RESORT TO SHARP PRICE CUTTING TO MAINTAIN SALES VOLUME. THE CONSEQUENT EROSION OF PROFIT MARGINS FORCED SOME FINANCIALLY WEAKER FIRMS OUT OF BUSINESS EITHER THROUGH BANKRUPTCY OR MERGER WITH STRONGER FIRMS. IN LIGHT OF GROC'S PRACTICE OF WITHHOLDING ASSISTANCE TO FIRMS WHICH ARE EITHER UNABLE OR UNWILLING THROUGH "SELF-HELP" TO ELIMINATE INEFFICIENCIES, THE GOVERNMENT HAS BEEN ACCUSED BY SOME OF BEING INSENSITIVE TO A SERIOUS ECONOMIC PROBLEM. EMBASSY BELIEVES, HOWEVER, THAT IT IS THE GOVERNMENT'S CONSCIOUS INTENT, THROUGH THIS POLICY, TO WEED OUT THE BASICALLY UNCOMPETITIVE ELEMENTS IN ROC INDUSTRY AND THEREBY STRENGTHEN THE OVERALL ECONOMY.

5. GROC ANALYSTS DO NOT EXPECT THAT ECONOMIC RESULTS IN 1977 WILL COME UP TO THE 1976 PERFORMANCE. ECONOMIC PLANNING COUNCIL (EPC) PROJECTS AGROWTH RATE OF ABOUT 8.5 PERCENT. EMBASSY'S ASSESSMENT OF 1977 PROSPECTS SHOULD BE COMPLETED BY ABOUT MID-JANUARY.  
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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Reference:** 76 TAIPEI 8075  
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**Review Markings:**  
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